

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 12906 01 OF 02 221732Z

41

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 NEAE-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 8744

INFO AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 12906

E.O. 11652: GDS

TAGS: BPRO, EG

SUBJECT: MEETING WITH MINISTER OF INDUSTRY

AMERICAN FIRMS LACK OF SUCCESS IN GETTING CONTRACTS

SUMMARY: DCM REVIEWED WITH MINISTER OF INDUSTRY ACTION
BEING TAKEN ON RECENT OFFERS BY US COMPANIES BY HIS MINISTRY.
MININD REVEALED THAT DECISION HAS BEEN MADE TO ACCEPT FRENCH
OFFER INSTEAD OF ONE BY CHEMTEX-DUPONT FOR POLYESTER FIBER PLANT
AND THAT US PROPOSAL FOR HUNTER ENGINEERING TO BUILD ALUMINUM
ROLLING MILL IS UNDER CONSIDERATION BUT ENCOUNTERING STIFF
OPPOSITION FROM ANOTHER FRENCH OFFER. DCM EXPRESSED DISAPPOINTMENT
THAT CHEMTEX-DUPONT OFFER, WHICH WOULD HAVE HAD AID FINANCING,
WAS TURNED DOWN ON TECHNICAL AND COMMERCIAL GROUNDS, INASMUCH AS
DUPONT TECHNOLOGY HAS BEEN UNIVERSALLY CONSIDERED SUPERIOR.
DCM FELT THAT REASONS GIVEN BY MININD FOR PROBLEMS PRESENTED BY HUNTE
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ENGINEERING OFFER, NAMELY CAPITALIZATION AND NEWNESS OF ITALIAN
ASSOCIATES PRESENTING PROPOSITION, WERE NOT SIGNIFICANT
IN VIEW OF FACT THAT HUNTER ENGINEERING HAS BUILT OVER 70 OF THESE
PLANTS WORLDWIDE. MININD PROMISED THAT HUNTER OFFER WOULD BE
GIVEN FAIR CHANCE. MEETING CONCLUDED WITH DCM EXPRESSING CONCERN THAT
US COMPANIES ENCOUNTERING CONSIDERABLE DIFFICULTIES IN NEGOTIATING
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PAGE 02 CAIRO 12906 01 OF 02 221732Z

VIAABLE BUSINESS PROPOSALS IN EGYPT AND NOTED POTENTIAL UNFAVORABLE

IMPACT OF THIS SITUATION ON US-EGYPTIAN COOPERATION. END SUMMARY.

1. DCM ACCOMPANIED BY COMOFF AND AIDOFF MET WITH MININD SHAHIN DEC 22 TO REVIEW RECENT PROPOSAL BY US COMPANIES TO BUILD POLYESTER FIBER LANT AND ALUMINUM ROLLING MILL IN EGYPT. DCM REFERRED TO LETTERS OF DECEMBER 20 SETN BY AMBASSADOR TO SHAHIN URGING

CAREFUL AND SERIOUS CONSIDERATION FOR THESE OFFERS AND NOTING, IN CASE OF POLYESTER FIBER PLANT TO BE BUILT BY CHEMTEXT WITH DUPONT TECHNOLOGY THAT DUPONT WAS PREPARED TO INVITE EGYPTIAN DEL TO VISIT DUPONT FACILITIES IN US OR ALTERNATIVELY TO SEND TEAM OF TECHNICAL EXPERTS TO CAIRO TO DISCUSS BASIC ADVANTAGES OF THIS TECHNOLOGY. CHEMTEX HAD ALSO FURTHER OFFERED INDEPENDENT STUDY BY CONSULTANT SELECTED BY GOE TO COMPARE CHEMTEX AND COMPETING FRENCH PROPOSAL SUBMITTED BY RHONE-POULENC. DCM REFERRED TO EMBASSY'S CONCERN THAT US COMPANIES SEEM TO BE ENCOUNTERING DIFFICULTY IN GETTING BUSINESS IN EGYPT AND NOTED THAT EMBASSY HAD HEARD CONFLICTING REPORTS ON STATUS CHEMTEX-DUPONT PROPOSAL.

2. SHAHIN INFORMED DCM THAT FRENCH COMPANY HAD BEEN AWARDED POLYESTER FIBER PLANT, AND CONTRACT, THOUGH NOT YET SIGNED, WAS IN PROCESS OF FINAL NEGOTIATION. HE SAID THAT DECISION WAS MADE ON BASIS OF "BEST INTEREST OF EGYPT" AND ON TECHNICAL AND COMMERCIAL BASES. WHEN QUERIED ON MEANING OF "BEST INTEREST OF EGYPT" SHAHIN MAINTAINED THAT THIS WAS SOLELY WITHIN TECHNICAL AND COMMERCIAL CONTEXT. SHAHIN INDICATED THAT TECHNOLOGY AVAILABLE FROM FRENCH COMPANY WAS SUPERIOR AND FINANCING OFFERED WAS CHEAPER. HE EXPLAINED THAT DUPONT TECHNOLOGY OFFERED DID NOT MEET FULL NEEDS OF PLANT AND REFERRED SPECIFICALLY TO ANTI-PILLING AND SPIN DYEING FIBER TECHNOLOGIES.

3. DCM EXPRESSED CONSIDERABLE DISAPPOINTMENT OVER THIS INFORMATION AND REFERRED TO AMBASSADOR'S LETTER IN WHICH DUPONT'S OFFER FOR STUDY AND COMPARISON OF TECHNOLOGY CONFIRMED CONFIDENCE THAT ITS TECHNOLOGY WAS SUPERIOR. MOREOVER, CHEMTEXT PROPOSAL, WITH AID FINANCING PACKAGE, WAS COMPARABLE TO FRENCH OFFER AND MUCH MORE ADVANTAGEOUS IN TERMS OF EGYPT'S BALANCE OF PAYMENTS. COMMLOFF CONFIRMED THAT CHEMTEX FINANCING WAS CERTAINLY EQUAL TO THAT OFFERED BY FRENCH.

CONFIDENTIAL

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PAGE 03 CAIRO 12906 01 OF 02 221732Z

4. DCM THEN TURNED TO HUNTER ENGINEERING OFFER TO BUILD ALUMINUM ROLLING MILL AND NOTED THAT THIS OFFER WAS BOTH SUPERIOR IN TECHNOLOGY AND LOWER IN PRICE THAN ITS FRENCH COMPETITOR. IT WAS HIS UNDERSTANDING THAT EGYPTIAN DELEGATION HAD VISITED BOTH HUNTER ENGINEERING FACILITIES AND FRENCH COMPANY'S PLANTS AND AGREED ON THE FORMER'S TECHNOLOGICAL SUPERIORITY.

5. SHAHIN COMMENTED THAT THE HUNTER OFFER WAS STILL UNDER CONSI-

DERTAION OF MINISTRY'S TECHNICAL COMMITTEE AND NOTED THAT BOTH SIDES CLAIMED SUPERIOR TECHNOLOGY. HE HIMSELF WAS NOT AWARE OF THE TECHNOLOGICAL OR PRICE DETAILS OF THE OFFERS. HOWEVER, "IN ALL FRANKNESS", SHAHING EXPLAINED TO DCM HIS CONCERN OVER LOW CAPITALIZATION (10 MILLION ITALIAN LIRA) AND NEWNESS OF TECHMO-HUNTER ENGINEERING S.P.A. (FOUNDED 1973). GOE HAD HAD SOME BAD EXPERIENCE WITH SOME COMPANIES AND WANTED TO BE CERTAIN THAT FIRMS WITH WHICH THEY DEALT WERE RELIABLE AND ABLE TO PROVIDE SPARE PARTS AND SERVICE IN YEARS TO COME. COMMLOFF NOTED THAT HUNTER ENGINEERING WAS FORMERLY PART OF AMERICAN METALS CLIMAX. IT HAD BUILT OVER 70 SUCH PLANTS BOTH IN US AND WORLDWIDE OVER RECENT YEARS. DCM SUGGESTED THAT BACKGROUND AND EXPERIENCE OF HUNTER ENGINEERING SHOULD NOT BE LIGHTLY CAST ASIDE BECAUSE OF ANY FINANCIAL ARRANGEMENTS WITH ITALIAN ASSOCIATES.

6. DCM THEN EXPRESSED FURTHER CONCERN ABOUT PROPOSECT OF HUNTER PROPOSAL SINCE HE HAD NOTED THAT ALUMINUM ROLLING MILL, AS WELL AS PLOYESTER FIBER PLANT, HAD BEEN MENTIONED IN RECENT PRESS CONFERENCE (FOLLOWING GISCARD'S VISIT) GIVEN BY FRENCH MINISTERS SEGARD AND ORNANO AS PROJECTS WHICH FRENCH WOULD BE UNDERTAKING IN EGYPT NEXT YEAR. SHAHIN ADMITTED THAT ALUMINUM ROLLING MILL HAD ALSO BEEN MENTIONED IN FRENCH 1974 FINANCING PROTOCOL AND NOTED THAT, WITH FRENCH GOVERNMENT FINANCING, PRICE WOULD BE LOWER. COMML OFF NOTED THAT ONLY 15 PERCENT OF FRENCH FINANCING WOULD BE BASED ON GOVERNMENT CREDITS, WHILE REMAINING WOULD COME FROM REGULAR SUPPLIER CREDIT. SHAHIN CLAIMED NOT TO BE AWARE OF THIS DETAIL.

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PAGE 01 CAIRO 12906 02 OF 02 221745Z

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 8745
INFO AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 12906

7. DCM REITERATED AMERICAN CONCERN ABOUT SITUATION IN WHICH US BUSINESS FOUND ITSELF WITH RESPECT TO EGYPT. MINISTER WAS, OF COURSE, AWARE OF FORD ADMINISTRATION'S EFFORTS TO PROMOTE US-EGYPTIAN COOPERATION. HE NOTED ADVANTAGES TO THE EGYPTIAN BALANCE OF PAYMENTS SITUATION WHICH THE CHEMTEX OFFER PROVIDED. THIS WAS SOMEWHAT DISCONCERTING IN VIEW OF EFFORT WHICH USG HAD MOUNTED TO ORGANIZE EMERGENCY FINANCIAL ASSISTANCE FOR EGYPT, IN WHICH, HE REMARKED, FRANCE HAD BEEN APPROACHED BUT DID NOT CONTRIBUTE A "SOU". WE WERE BECOMING CONCERNED ABOUT POSSIBLE IMPACT OF THIS SITUATION ON CONGRESSIONAL SUPPORT ADMINISTRATION WAS SEEKING FOR US AID PROGRAMS FOR EGYPT. IF US COMPANIES WERE GOING TO FACE DIFFICULTIES DOING BUSINESS IN EGYPT, THIS, ADDED TO DOMESTIC POLITICAL OPPOSITION FROM CERTAIN QUARTERS OF WHICH MINISTER WAS AWARE, RAISES DIFFICULTIES FOR USG POLICY OF SUPPORTING PEACE PROCESS AND PROMOTING EGYPTIAN DEVELOPMENT. HE NOTED THAT EMBASSY WOULD RECEIVE VISIT OF IMPORTANT DELEGATION FROM HOUSE INTERNATIONAL AFFAIRS COMMITTEE ON JANUARY 5. THIS DELEGATION WOULD BE ASKING POINTED QUESTIONS ABOUT US/EGYPTIAN COOPERATION TO WHICH EMBASSY WOULD HAVE TO GIVE FRANK ANSWERS.

8. SHAHIN SOUGHT TO MAKE LIGHT OF THIS CONCERN OVER TWO PROJECTS AND NOTED THAT THERE WERE MANY PROJECTS IN 5-YEAR PLAN WHICH WOULD BE AVAILABLE FOR PARTICIPATION BY US COMPANIES. DCM REMINDED SHAHIN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 12906 02 OF 02 221745Z

THAT HE HAD SAT THROUGH ENTIRE DAY'S MEETING WITH MINISTER OF ECONOMICS SHAFEI TOGETHER WITH US DEL LED BY TREASURY ASST SEC PARSKY AND THAT THIS SESSION REVEALED VERY FEW POTENTIAL PROJECTS AT STAGE WHERE IMPLEMENTATION COULD TAKE PLACE.

9. SHAHIN THEN SHIFTED CONVERSATION TO SUBJECT OF GOODYEAR JOINT VENTURE PROJECT ON WHICH HE SAID THERE HAD BEEN SOME PROGRESS, ALTHOUGH HE WAS STILL AWAITING FURTHER INFORMATION FROM GOODYEAR. QUERIED RE NATURE OF THIS INFORMATION, SHAHIN SAID HE HAD ASKED FOR GOODYEAR UNDERTAKING THAT MINIMUM OF 25 PERCENT OF PRODUCTION WOULD BE FOR EXPORT. GOODYEAR WAS REVIEWING THIS REQUEST AND WHEN IT PROVIDED NECESSARY INFORMATION, GOE COULD DETERMINE WHAT NET REQUIREMENT WOULD BE FOR FOREIGN EXCHANGE CREDITS, WHICH GOODYEAR HAD INDICATED WOULD REACH \$18 MILLION. UPON RECEIPT OF THIS INFORMATION, PROPOSAL WOULD BE SENT TO PRIME MINISTER WHO HAD INDICATED THAT HE WOULD MAKE PERSONAL DETERMINATION. SHAHIN ALSO MENTIONED ABU TARTUR PROJECT IN WHICH RALPH PARSONS AWAS INTERESTED AND SAID HE AWAITED THEIR PROPOSAL. COMMLOFF INDICATED THAT PARSONS PROPOSAL HAD BEEN SENT VIA DIPLOMATIC POUCH BUT HAD NOT

YET ARRIVED. SHAHIN EXPRESSED INTEREST IN SEEING PROPOSAL BEFORE ARRIVAL OF PARSONS REPS EARLY IN JANUARY TO DISCUSS PROJECT.

10. MEETING CONCLUDED WITH DCM REPEATING HIS DISAPPOINTMENT OF DECISION CHEMTEX PROPOSAL AND EXPRESSING HOPE THAT HUNTER OFFER WOULD RECEIVE MORE SERIOUS CONSIDERATION, PARTICULARLY IN VIEW OF WHAT HE BELIEVED WAS ITS MARKED TECHNOLOGICAL AND FINANCIAL ADVANTAGES.

SHAHIN ASSURED HIM THAT HUNTER WOULD RECEIVE FAIR CONSIDERATION, ALTHOUGH HE AGAIN NOTED HIS CONCERN OVER CAPITALIZATION AND NEWNESS OF COMPANY PRESENTING OFFER.

11. FOLLOWING RETURN TO EMBASSY, DCM CALLED HASSAN ABDEL FATTAH, DEP DIRECTOR OF GOFI TO ASK ABOUT RESULTS OF TECHNICAL COMMITTEE CONSIDERATION OF HUNTER PROPOSAL WHICH HE UNDERSTOOD TOOK PLACE OVER LAT WEEKEND. ABDEL FATTAH CONFIRMED THIS AND SAID TECHNICAL COMMITTEE'S RECOMMENDATIONS HAD BEEN FORWARDED TO THE GOFI BOARD OF DIRECTORS. DCM TOLD HIM OF ABOVE MENTIONED SHAHIN CONCERNS RE HUNTER AND WONDERED SERIOUSLY THESE WOULD AFFECT HUNTER'S CHANCES. ABDEL FATTAH DISPUTED CAPITALIZATION OBJECTION AND ADMITTED THAT TECHNICAL COMMITTEE RECOGNIZED HUNTER'S TECHNOLOGICAL

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 12906 02 OF 02 221745Z

SUPERIORITY. HE CLAIMED HOWEVER THAT HUNTER OFFER DID NOT SHOW PRICE ADVANTAGE. DCM REFERRED TO TENOR OF HIS TALK WITH SHAHIN AND MENTIONED HIS FEAR THAT HUNTER OFFER WOULD HAVE A "HARD TIME". ABDEL FATTAH AGREED THAT THIS WAS SO.

12. COMMENT: WE CAME AWAY FROM MEETING WITH SHAHIN WITH DEFINITE IMPRESSION THAT NOT ONLY HAD CHEMTEX PROPOSAL BEEN REJECTED BUT THAT HUNTER ENGINEERING OFFER LIKELY TO SUFFER SAME FATE, DESPITE ADMITTED ADVANTAGES OF BOTH OF THESE OFFERS. IMPACT OF FRENCH PRESIDENT'S VISIT ADDED TO REPORTED PREDILECTION OF SHAHIN TOWARD FRENCH, PROSPECTS FOR THESE PROPOSALS SEEMED SLIGHT INDEED. CHEMTEX REP HAS MAINTAINED THAT HIS PROPOSAL WHICH PROVIDES FOR BALANCE OF PAYMENTS ADVANTAGE AS RESULT OF AID FINANCING, WAS \$2 TO \$4 MILLION LOWER OVERALL PRICE. WE CANNOT JUDGE CORRECTNESS OF THIS ESTIMATE. HOWEVER, SYSTEM USED BY MININD TO JUDGE PROPOSALS, I.E., SELECTIVE COMPARISON OF COSTS, RATHER THAN OVERALL TOTAL ENABLED FRENCH TO GAIN ADVANTAGE SINCE CHEMTEX SELECTIVE PRICES ADMITTEDLY HAD CERTAIN ELEMENT OF GUESSWORK IN THEM.

13. PROSPECT FOR GOODYEAR JOINT VENTURE MAY BE SLIGHTLY BETTER BECAUSE OF USG ACTION IN BRINGING THIS MATTER TO PRIME MINISTER'S ATTENTION. WHILE SHAHIN WOULD NOT COMMENT ON MININD POSITION TOWARD FOREIGN EXCHANGE CREDITS DEMANDED BY GOODYEAR, FACT OF MENTION OF SOME PROGRESS WAS ENCOURAGING. MORE ENCOURAGING, HOWEVER, WAS SHAHIN'S COMMENT THAT PRIME MINISTER HAD RESERVED DECISION

ON THIS PROJECT HIMSELF.
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